ECONOMIC COMMENTARY

How well have Alberta's Sectors weathered the "Great Recession"?

December 19, 2012

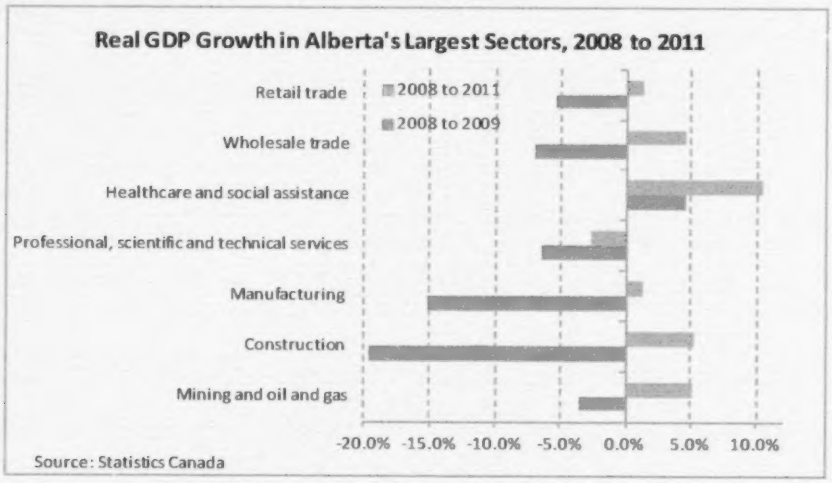
Highlights:
Although Alberta's economy was harder hit during the "great recession" than most other provincial economies, by 2011 Alberta's GDP had fully recovered from the downturn. In this commentary we will show that most of Alberta's major sectors have indeed managed to recover quite well from this downturn, by examining real GDP growth between 2008 and 2011.

Alberta Government

According to Statistics Canada's most recent releases on provincial GDP, Alberta led the nation in economic growth in 2011: Alberta's real gross domestic product (GDP)[1] rose an estimated 5.1% in 2011 (from 2010), after growing by 4.0% in 2010. This means that Alberta has now recovered all output losses that were sustained during the "great recession". Between 2008 and 2011, Alberta's economy has expanded by 4.5% even though it contracted sharply by 4.4% in 2009.

On a sectoral basis, all industries have recovered to pre-recession levels with the exception of:

- Professional, scientific and technical services (largest sub-sector is engineering services), which saw its output decline by 2.7% between 2008 and 2011;
- Management of companies and enterprises (holding companies and head offices) with a 2.2% decline in real GDP over the same period;
- Arts, entertainment and recreation with a 1.2% decrease; and
- Primary agriculture with a 0.5% decline due to steadily falling livestock production and a large decline in crop production in 2009.



Note: The above chart shows that the retail trade, wholesale trade, healthcare and social assistance, manufacturing, construction and mining and oil and gas sectors have fully recovered from the "great recession"

The sectors that best weathered the recession were generally service sectors, such as:

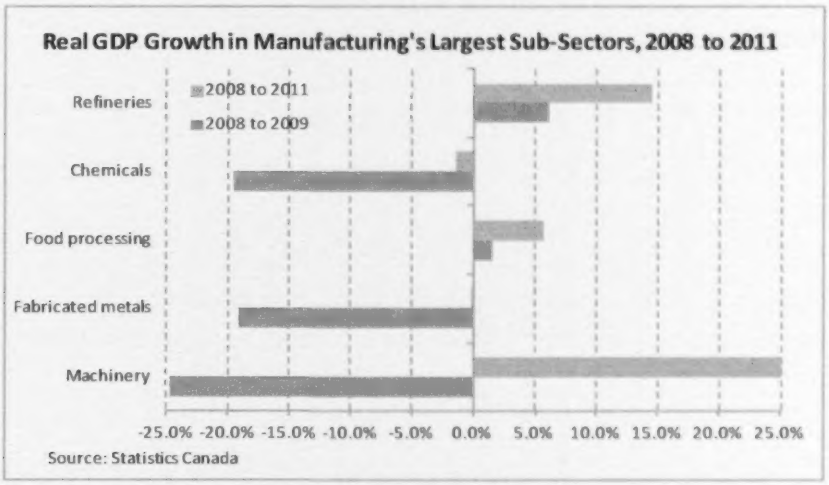
- Health care and social assistance with a 10.4% real GDP increase between 2008 and 2011;
- Public administration with a 9.6% increase, primarily the result of very strong growth for local and municipal government;
- Accommodation and food services with an 8.8% rise; and
- Real estate and rental and leasing with a 7.8% increase.

[1] All GDP growth rates in this commentary are derived from GDP estimates in chained 2007 dollars

Alberta's largest sector, mining and oil and gas, had real GDP growth of 5.1% between 2008 and 2011, with the highest growth of 18.3% registered for oil and gas services (such as drilling and exploration). Oil and gas extraction rose 2.1% over the same period as a result of strong growth in oil sands output.

Construction was the hardest hit sector during the recession with a 20% drop in output in 2009, as output in its largest sub-sector, oil and gas engineering construction, fell by more than one-half. However, strong output growth during the next two years resulted in 2011 output exceeding 2008 output by 5.1%.

Next to agriculture and construction, the sector that was hardest hit during the recession was manufacturing with a 15% drop in real GDP in 2009 that was concentrated in sub-sectors that depend on oil and gas projects, such as machinery, fabricated metals and non-metallic mineral products (primarily cement). However, manufacturing had more than regained that output loss by 2011, when GDP exceeded the 2008 level by 1.3%. The machinery and refineries sub-sectors had the highest GDP growth between 2008 and 2011, expanding by 25% and 14%, respectively. The turn-around in Alberta's machinery sub-sector is especially noteworthy: after declining by almost 25% in 2009, production increased by two-thirds between 2009 and 2011. Production in mining and oil and gas field machinery, which accounts for about two-thirds of total machinery GDP, more than doubled between 2009 and 2011.



Note: The above chart shows that the refineries, food processing and machinery sub-sectors have fully recovered from the "great recession"